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Military Market

GAZINE FOR THE MILITARY RETAIL SYSTEM ARMY TIMES PUBLISHING COMPANY AUGUST 1986 $4.00

Coast Guard's HQ Triumvirate

mmander Jack Voden, flanked by cohorts, program analyst Ralph iscoll and assistant resale division ief Mark Carscallen.

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MARKET REPORTS:

- It's Back-to-School Time,
- Snack Foods Get Fruity,
- And Bicycles Gear Up.

PLUS: . . . Get Ready for the FDC Shuffle!

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serving the military resale system

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AAFES: Smoking restrictions are local decisions

Exchanges in health care facilities must stop selling tobacco products, if local commanders ask them to.

The new policy, announced July 1 by the Army and Air Force Exchange Service and now in effect, was described in a letter by AAFES Commander Army Maj. Gen. John E. Long to AAFES overseas commanders and ConUS region chiefs. It also applies to vending machines and food outlets in base hospitals and clinics.

Previously, AAFES would agree to halt tobacco sales in a health facility, only if the commander banned tobacco use in the facility as a whole, said Capt. Mary-Ann Neri, an AAFES spokeswoman in Dallas.

Under the new policy, she said, AAFES could discontinue tobacco sales at hospitals, even if smoking is still allowed in patients' rooms.

The new policy came at the request of Air Force and Army commanders at various levels, Neri said.

Patti Turner, a spokeswoman for the Air Force surgeon general, said she was not aware of any hospitals where commanders had halted the sale of smoking products.

"AAFES is not suggesting that anyone" ban tobacco sales in hospitals, Neri said. "We're just going on the record as saying, 'We'll do what you want . . .' It's a local command decision."

The effects of those decisions could put some of the smaller clinic and hospital retail stores out of business, Neri said — especially where tobacco sales keeps the store profitable. (AAFES usually closes losing or marginal operations, she added.)

Base or hospital commanders may have to weigh the benefits of discouraging smoking against the inconvenience of losing an exchange store that also sells other goods, Neri said.

"It's going to affect business .... You're going to have to look at the possiblity of closing," said Neri. "It's got to be a weighed decision."

In any case, tobacco products will still be available in the base commissary, even if a commander decides to prohibit their sale in the hospital.

DoD sticks to guns on smoking

Congress is pulling the Pentagon in different directions over the military's new anti-smoking campaign.

A group of senators say too little is being done and want tobacco prices on base increased. A larger group of congressman are complaining the Pentagon has gone too far.

In the middle, the Pentagon is sticking to its guns.

Health and manpower officials who were once at odds over military smoking policy now agree that the best solution to what some officials call "the smoking epidemic" is a tough anti-smoking education campaign coupled with restrictions on the use of tobacco in the workplace.

Telling the Pentagon its anti-smoking campaign has already gone too far are 30 congressmen, including several congressional leaders, who sent a letter to Defense Secretary Caspar Weinberger that attacked the smoking policy on several fronts.

The letter, sponsored by Reps. Dan Daniel, D-Va., and Larry J. Hopkins, R-Ky., questioned whether "it [is] not reasonable to conclude that next to be banned will be caffeine, red meat, sugar, non-sugar sweeteners and other items which some classify as hazardous to one's health?"

"The military is a high-stress environment, and to restrict the availability of tobacco products may very well add to that stress," the letter added.

Pushing the Pentagon for a stronger anti-smoking stance is Sen. Jeff Bingaman, D-N.M., who introduced a measure in the Senate Armed Services Committee to raise cigarette prices in commissaries, exchanges and ships stores. *[EDITOR'S NOTE: See separate story.]* Bingaman's proposal would make cigarette prices on base equal off-base prices.

The defeat came because the majority of the committee believed raising prices was "social engineering," Bingaman said. He vowed to reintroduce the measure when the full Senate considers the fiscal 1987 Defense Authorization bill.

Fifty-two percent of servicemen and 47 percent of servicewomen smoke, compared to 36 percent of men and 29 percent of women in the civilian population. The Pentagon has announced ambitious plans call for a 5 percent drop per year in tobacco use by service members.

Bingaman's aides estimate the higher price would reduce cigarette sales in the military by 43 million cartons. However, raising prices to match the prevailing rate off base would also increase profits by $202 million, they estimate.

Bingaman said DoD's own studies "justified this option" because of evidence that a 10 percent increase in the price of cigarettes will result in a 14 percent decrease in smoking for persons aged 17 to 19. An anti-smoking campaign without raising cigarette prices is counter-productive, he said.

While Bingaman and the seven other senators are arguing that DoD should do more, House members say DoD has gone too far. Daniel, the chairman of the House Armed Services Committee's Readiness Subcommittee that oversees military commissary and exchange operations, and Hopkins, the ranking member on the Armed Services Committee's Investigations Subcommittee, have complained the anti-smoking campaign has already gone too far.

Among those signing their letter to Weinberger complaining about the military's anti-smoking efforts were such heavyweights as appropriations committee chairman Rep. Jamie L. Whitten, D-Miss., defense appropriations subcommittee chairman Rep. Bill Chappell Jr., D-Fla.

Other armed services committee members signing the letter included Reps. Norman Sisisky, D-Va.; G.V. "Sonny" Montgomery, D-Miss.; Beverly B. Byron, D-Md.; Patricia Schroeder, D-Colo.; Marvin Leath, D-Tex., and Bill Nichols, D-Ala.

It suggested a tough anti-smoking stand by the services may discourage people from enlisting because "the services intend to force them to surrender these previously available and still socially acceptable pastimes."

Pentagon officials have had difficulty deciding what approach to take in responding to Daniel, but say they are unpersuaded by any of the arguments to change their anti-smoking campaign.

Tobacco Sales in Military Stores

CURRENT PLAN

COMMISSARIES		CARTONS SOLD	GROSS SALES	GROSS COST	PROFIT
AIR FORCE	ConUS	34.10	$225.74	$214.83	$10.91
	Overseas	7.40	30.98	29.08	1.48
ARMY	ConUS	18.70	123.79	117.81	5.98
	Overseas	7.50	30.56	29.48	1.50
NAVY	ConUS	0.90	5.96	5.67	0.29
	Overseas	0.30	1.24	1.18	0.06
TOTAL		**68.90**	**$418.27**	**$398.05**	**$20.22**

EXCHANGES		CARTONS SOLD	GROSS SALES	GROSS COST	PROFIT
AAFES	ConUS	11.1	$88.80	$69.93	$18.87
	Overseas	4.9	27.93	19.26	8.67
NAVY	ConUS	11.3	90.40	71.19	19.21
	Overseas	1.7	9.69	6.68	3.01
MARINES	ConUS	2.0	16.00	12.60	3.40
	Overseas	0.6	3.42	2.36	1.06
TOTAL		**31.6**	**$236.24**	**$182.02**	**$54.22**

SHIP'S STORES		CARTONS SOLD	GROSS SALES	GROSS COST	PROFIT
NAVY	ConUS	2.5	$18.13	$15.75	$2.38
	Overseas	1.6	7.20	6.29	0.91
TOTAL		**4.1**	**$25.33**	**$22.04**	**$3.29**

GRAND TOTAL	**104.60**	**$679.84**	**$602.11**	**$77.73**

(all figures in millions, for fiscal 1985)

NOTE: Marine Corps commissaries do not sell tobacco products, and most Navy commissaries do not sell tobacco products.

SOURCE: Department of Defense Report on Smoking and Health in the Military, March, 1986.

BINGAMAN PLAN

COMMISSARIES		CARTONS SOLD	GROSS SALES	GROSS COST	PROFIT	ADDED PROFIT
AIR FORCE	ConUS	17.05	$171.52	$107.42	$64.10	$53.19
	Overseas	6.29	63.28	24.72	38.56	37.08
ARMY	ConUS	9.35	94.06	58.91	35.15	29.17
	Overseas	6.38	64.18	25.07	39.11	37.61
NAVY	ConUS	0.45	4.53	2.84	1.69	1.40
	Overseas	0.26	2.62	1.02	1.60	1.54
TOTAL		**39.78**	**$400.19**	**$219.98**	**$180.21**	**$159.99**

ASSUMPTIONS: 50% reduction in U.S. sales, 15% reduction in overseas sales and no reduction in total current levels of commissary profit (surcharge).

EXCHANGES		CARTONS SOLD	GROSS SALES	GROSS COST	PROFIT	ADDED PROFIT
AAFES	ConUS	5.55	$55.83	$34.97	$20.86	$1.99
	Overseas	4.17	41.95	16.39	25.56	16.98
NAVY	ConUS	5.65	56.84	35.60	21.24	2.03
	Overseas	1.45	14.59	5.70	8.89	5.88
MARINES	ConUS	1.00	10.06	6.30	3.76	0.36
	Overseas	0.51	5.13	2.00	3.13	2.07
TOTAL		**18.33**	**$184.40**	**$100.96**	**$83.44**	**$29.22**

ASSUMPTIONS: 50% reduction in U.S. sales, 15% reduction in overseas sales and no reduction in allowance for current system operating expenses.

SHIP'S STORES		CARTONS SOLD	GROSS SALES	GROSS COST	PROFIT	ADDED PROFIT
NAVY	ConUS	2.13	$21.43	$13.42	$8.01	$5.46
	Overseas	1.36	13.68	5.34	8.34	7.43
TOTAL		**3.49**	**$35.11**	**$18.76**	**$16.35**	**$13.06**

ASSUMPTION: 15% reduction in sales.

GRAND TOTAL	**61.60**	**$619.70**	**$339.70**	**$280.00**	**$202.27**

(all figures in millions, for fiscal 1985)

Bicycling Goes BOOM!

It's a sport that involves all ages and income groups. And its time has decidedly come, as promoters and marketers gear up for the next, great sports explosion in America.

By ROBERT DEVANEY
Managing Editor

WHAT DO ERIC HEIDEN, Greg LeMond and Jim Warsinske have in common?

It's bicycling, and bicycling has become a big deal — a big deal in American sports *and in business.*

Eric Heiden and Greg LeMond raced in July's Tour de France.

LeMond also heads up the American push for bicycling respect, leading the pack to the 1986 World Cycling Championships at Colorado Springs, Aug. 27 – Sept. 7.

Warsinke is a retired Air Force officer, who is general manager of the world championships, and cites the Colorado event as "a key step in the evolution of cycling in the U.S.," according to *Bicycling* Magazine.

At Colorado Springs, the races are literally elevated: 6,000 feet at the race track; 7,200 feet at the 9.5-mile road course, placed within the grounds of the Air Force Academy.

With over 200,000 spectators expected, Colorado Springs officials predict $7 million in revenues.

Yes, bicycling now translates into big bucks.

And good old, American enterprise is right there, including the Army and Air Force Exchange Service.

The Ohio Valley Exchange Region hopes to cash in on the championships with special promotions.

At MILITARY MARKET press time, few details were available, but Brian Macfawn, an OVER buyer, said the region is negotiating with Levi. (Levi is sponsoring one of the teams that will be participating in the races.)

The Ohio Valley Exchange Region wants to get some cyclists into the Air Force Academy and other exchanges for autographs and photographs.

"Hopefully, we'll get some in," Macfawn said.

The Army and Air Force Exchange Service sold 109,425 bicycles in 1985, for a sales total close to $12 million.

AAFES is high on bikes: "We're already beginning two high-sales season. Bicycles are always popular during the spring and summer months, when — with the exception of Christmas — sales are highest."

Exchanges sell a typically wide range of bicycles: touring (comfortable, three- or ten-speeds); racing (lightweight, 10 or more speeds); specialty (beach or all-terrain); high rise (banana seat and brace); and BMX (bicycle-motor-cross, mud tires, superstrong welds). BMX bikes accounted for 19 percent of all AAFES bicycle sales in 1985.

While sales for most sports will decline or be flat this year, sales of bikes and accessories will rise significantly, according to the National Sporting Goods Manufacturers Association.

Also, said the association, shipments of domestic and foreign bicycles in 1985 were around 10.3 million.

Bicycling is displaying all the promotional potential that tennis had in the late 1960s, observed one bicycling enthusiast. Cycling is ready to hit the mainstream of sports potential, because cyclists perform by themselves and their faces are not obscured by masks or large helmets, the industry observer said.

And apparently, big business agreed.

The Southland Corp., owner of 7-Eleven stores, shelled out $200,000 to be the lead sponsor for this year's the World Cycling Championships in Colorado.

Waving $1.5 million, Coca-Cola outbid Perrier last year to become the Tour de France's official drink. Hewlett-Packard and Adidas have also grabbed a big piece of the Tour's promotional pie.

Involving people of all ages and shapes, bicyclists are the fastest-growing pack of sports enthusiasts in the country and are ready to spend hundreds, sometimes thousands, of dollars on their bikes and accessories.

In 1986, bicyclists will spend $2.2 billion on bikes, helmets, shoes, clothing, packs and other accessories, industry leaders predicted. That's 26 percent more than 1985.

The nation's 80 million cyclists are expected to buy 11.4 million bikes this year, tying 1985 sales figures and beating out every year since 1974, predictions continue. Consumers will spend over $1.3 billion on bikes. MM

Peddle Power for AAFES Bicycle Sales, 1985

Category	Units	Dollars
Girl's High Rise	12,973	$ 945,466
BMX	21,380	$2,223,659
Women's Racing/Touring	26,351	$2,762,873
Men's Racing/Touring	43,226	$5,212,849
Specialty/Other	5,495	$ 635,224
TOTAL		**$11,780,071**

Military Market index

COMMISSARIES

		APRIL			YEAR TO DATE		
		CY'86	CY'85	% CHANGE	CY'86	CY'85	% CHANGE
	CONUS	$155,897	$146,832	6.17	$616,098	$596,059	3.36
	OVERSEAS	28,344	28,814	–1.63	114,383	118,956	–3.84
AIR FORCE	TOTAL	**184,241**	**175,646**	**4.89**	**730,481**	**715,015**	**2.16**
	CONUS	108,885	102,795	5.92	425,460	417,480	1.91
	OVERSEAS	36,015	29,715	21.20	137,550	123,165	11.68
ARMY	TOTAL	**144,900**	**132,510**	**9.35**	**563,010**	**540,645**	**4.14**
	CONUS	56,261	57,318	–1.84	250,431	248,661	0.71
	OVERSEAS	6,761	6,354	6.41	28,358	27,544	2.96
NAVY	TOTAL	**63,022**	**63,672**	**–1.02**	**278,789**	**276,205**	**0.94**
	CONUS	14,081	13,563	3.82	56,340	55,714	1.12
	OVERSEAS	281	239	17.57	1,050	934	12.42
MARINE CORPS	TOTAL	**14,362**	**13,802**	**4.06**	**57,390**	**56,648**	**1.31**
	CONUS	249	202	23.27	1,002	1,069	–6.27
	OVERSEAS	347	313	10.86	1,254	1,183	6.00
COAST GUARD	TOTAL	**596**	**515**	**15.73**	**2,256**	**2,252**	**0.18**
	CONUS	$335,373	$320,710	4.57	$1,349,331	$1,318,983	2.30
	OVERSEAS	$71,748	$65,435	9.65	$282,595	$271,782	3.98
COMMISSARIES	TOTAL	**$407,121**	**$386,145**	**5.43**	**$1,631,926**	**$1,590,765**	**2.59**
GROCERY STORES	U.S.[1]	$22.013	$21.342	3.14	$88.245	$83.907	5.17

EXCHANGES

		APRIL			YEAR TO DATE		
		CY'86	CY'85	% CHANGE	CY'86	CY'85	% CHANGE
	CONUS	$247,404	$244,915	1.02	$909,897	$872,717	4.26
	OVERSEAS	177,210	159,983	10.77	647,463	588,393	10.04
AAFES	TOTAL	**424,614**	**404,898**	**4.87**	**1,557,360**	**1,461,110**	**6.59**
	CONUS[2]	94,310	93,611	0.75	316,877	326,072	–2.82
	OVERSEAS[2]	38,858	39,141	–0.72	135,389	137,979	–1.88
NAVY	TOTAL[2]	**133,168**	**132,752**	**0.31**	**452,266**	**464,051**	**–2.54**
	CONUS	28,240	29,288	–3.58	105,606	107,602	–1.85
	OVERSEAS	4,734	5,086	–6.92	18,774	18,672	0.55
MARINE CORPS	TOTAL	**32,974**	**34,374**	**–4.07**	**124,380**	**126,274**	**–1.50**
	CONUS[3]	7,067	6,872	2.84	25,449	24,788	2.67
	OVERSEAS[3]	526	540	–2.59	1,895	1,969	–3.76
COAST GUARD	TOTAL[3]	**7,593**	**7,412**	**2.44**	**27,344**	**26,757**	**2.19**
	CONUS[4]	1,241	1,066	16.42	5,510	4,736	16.34
	OVERSEAS[4]	3,709	1,046	254.59	13,913	11,388	22.17
MAIL ORDER	TOTAL[4]	**4,950**	**2,112**	**134.38**	**19,423**	**16,124**	**20.46**
	CONUS	$378,262	$375,752	0.67	$1,363,339	$1,335,915	2.05
	OVERSEAS	$225,037	$205,796	9.35	$817,434	$758,401	7.78
ALL EXCHANGES	TOTAL	**$603,299**	**$581,548**	**3.74**	**$2,180,773**	**$2,094,316**	**4.13**
DEPARTMENT STORES	U.S.[1]	$10.670	$10.408	2.52	$37.442	$35.790	4.62

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ship stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard. NOTE: Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges; exchange sales include concession volume.